



Health Care Costs - Impact on the Auto Industry, the Chrysler Group, and Employees

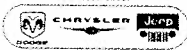




Kate A. Kohn-Parrott
Director - Integrated Health Care & Disability
DaimlerChrysler Corporation
April 26, 2007







The Cost of Health Care Impacts All of Us

Rising health care costs challenge the competitiveness of the Chrysler Group, the domestic auto industry, our suppliers and the State of Michigan












The Domestic Auto Industry is at a Crossroad ...


... if we do nothing



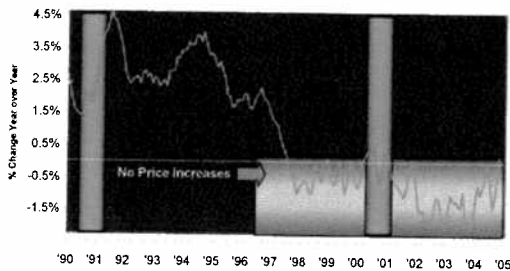
- Fail in the market
- Close facilities
- Restrict flexibility
- Job Insecurity

The domestics are:

- Faced with globalization pressures on an uneven playing field with the transplants (currency manipulation, fixed costs)
- Competing against a proliferation of products and name plates in the last few years
- Not able to pass cost increases on to the customer



Increased Competition Has Resulted in Negative Net Vehicle Pricing



3

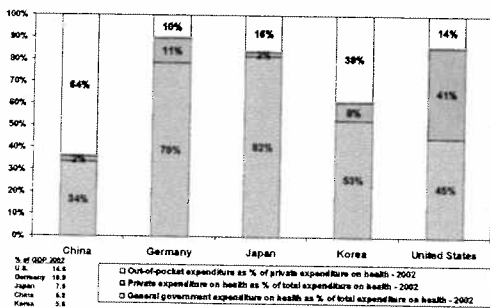
Let's Talk About Health Care in the U.S.

- Represents 16% of GDP in 2006 - over \$2 trillion annually; expected to reach \$4 trillion by 2015 - 20% of GDP
- 25% of Federal Government budget directed to pay for health care creating significant risk for Medicare and Medicaid programs - Medicare projected to deplete by 2019
- 4.3 times amount spent on national defense
- Health insurance is fastest growing cost component for employers; without dramatic change will over take profits by 2008⁽¹⁾

Source: National Center on Health Care, Health Insurance Cost - The Price at the Core of Health Care, 2006
McKinsey & Company, The McKinsey Quarterly, 2006 November, "The Health System: Costs, Risks, and Reform," September 2004

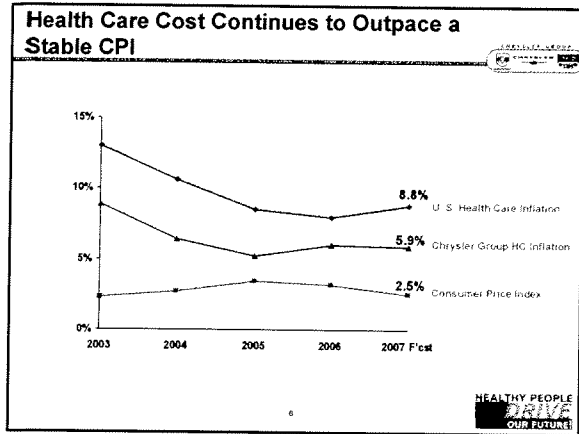
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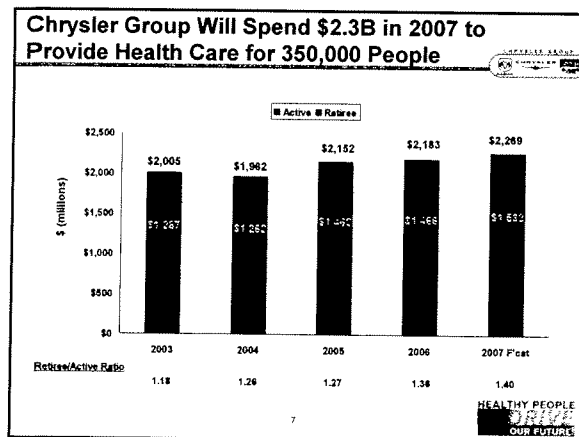
U.S. Primarily Relies on Private Insurance; Foreign Automakers Have More Socialized Systems

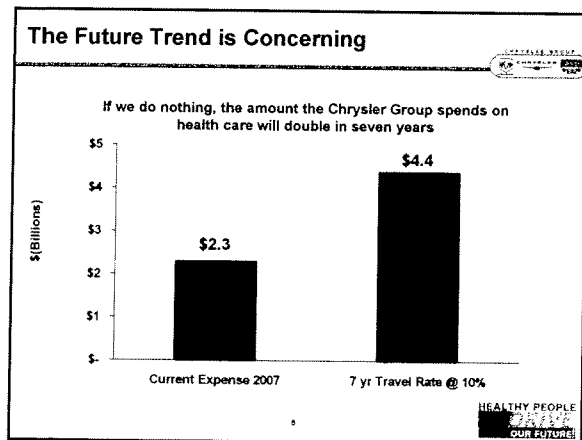


Source: The World Health Organization

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The Cost Per Vehicle is Staggering



The current cost of health care is more than \$1,400 per vehicle

7.5% of vehicle cost goes to health care



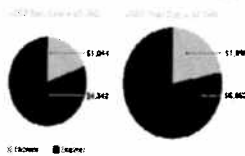
Health Care Affordability

Chrysler Group Management Employees

- No pay increases in last two years
- Overall cost sharing 31% for 2007 up from 27% in 2006
- Premium contribution changed to "the more you make, the more you are asked to contribute"
- Plan design changes over time

- And according to Towers Perrin, health care costs have increased by over 60% in just the past five years.⁽¹⁾

Total Employee/employer Health Care Costs: 2002 - 2007



¹ 2007 Towers Perrin Health Care Cost Survey

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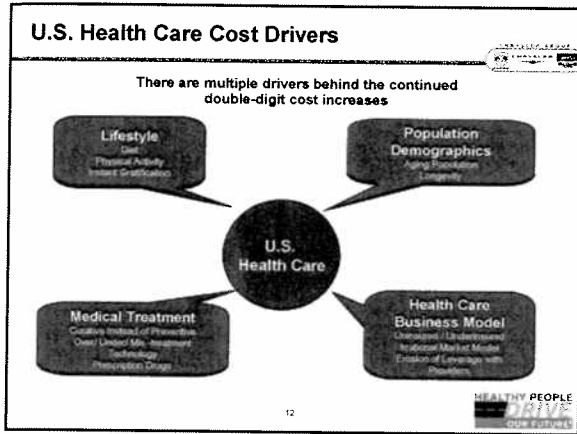


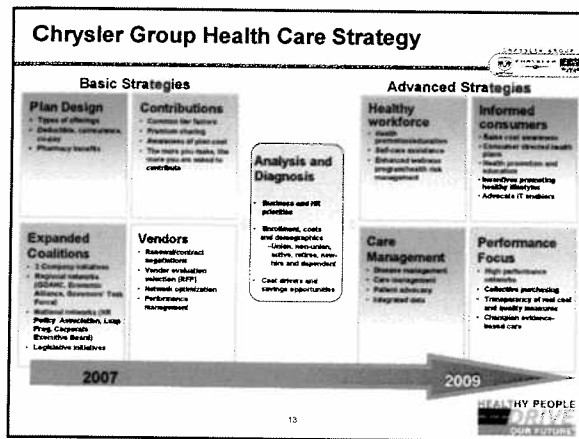
Cost Structure Has to Change

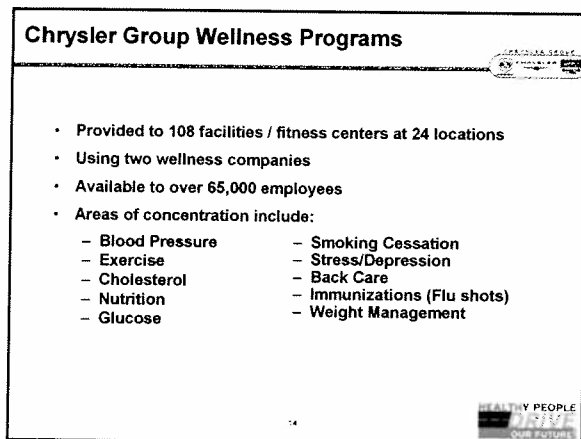
- Can't be "business as usual"
- Material, labor, and fixed costs must decrease
- Currently a \$1,000 per vehicle disadvantage
- Health Care trend/cost largest fixed cost
- No longer absorb health care cost increases



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Wellness Program Services

- Annual Health Risk Appraisals (HRA)
- Annual Health Screenings - Glucose, HDL, Total Cholesterol, Blood Pressure
- Semi-annual Screenings for At-Risk
- Educational Programs and Workshops
- Telephone Counseling
- Internet and Online Program Delivery



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Wellness Program Awards

C. Everett Koop Award	Innovation in Prevention
APEX Award	Institute for Health and Productivity Management Award (IHPM)
Workforce Optimas Award	ACOEM Corporate Health Achievement Award
National Kidney Foundation	29 WELCOA Gold Awards

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Health Care Priorities

- Certificate of Need (CON)
 - Health care costs are lower in states with CON
 - Michigan CON is robust when compared nationally
 - Chrysler Group supports retention of strong CON in MI
- Benefit Mandates
 - Increases employers' cost
 - Interferes with employers' ability to provide benefits
 - Chrysler Group opposes benefit mandates
- Pay for Performance
 - Encourages provider quality by rewarding appropriate treatment
 - Chrysler Group supports pay for performance initiatives

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Health Care Priorities



- Health Care IT
 - Promotes health care transparency in provider quality data and pricing information
 - Chrysler Group promotes the expansion of health care IT
- Catastrophic Coverage
 - Provides cost relief to employers
 - Provides coverage for uninsured and underinsured
 - Chrysler Group supports catastrophic coverage initiatives
- E-Prescribing
 - Safety – reduces physician errors
 - Quality – physician prescribes correct drug the first time
 - Cost – reduces pharmacist calls to physicians
 - Convenience – saves patients time
 - Chrysler Group encourages state-wide adoption

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